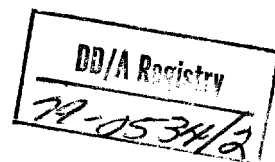


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MEMORANDUM FOR: Deputy Director of Central Intelligence

THROUGH : Deputy Director for Administration

FROM : Harry E. Fitzwater
Director of Personnel

SUBJECT : Consideration of a Senior Executive Service
within CIA

REFERENCE : Memo for Heads of Career Service fr DD/A dtd 9 Feb
79, subj: Status of Considerations for Adoption
of Certain Provisions of the Civil Service Reform
Act of 1978

1. Action Requested: This is for your information, with recommendations for a course of action to move toward necessary decisions.

2. Background:

A. The referenced memorandum advised on the status, as of 9 February 1979, of possible adaptation within the Agency of certain provisions of the Civil Service Reform Act of 1978 (CSRA). Subsequent to the 9 February status report, members of the Office of Personnel have reviewed an additional large volume of information and instructions on CSRA, attended a number of meetings and workshops held by the Office of Personnel Management, talked informally with representatives from other Government groups such as National Security Agency, the National Aeronautical and Space Administration, the Social Security Agency, Department of Treasury, and the Resources Management Staff. The Agency's General Counsel and Legislative Counsel staffs were also consulted, as appropriate.

B. This memorandum is directed to the key provision of the Act--the Senior Executive Service (SES)--and its purpose is to:

(1) provide a focus on the primary principles and conceptual features of the Senior Executive Service (SES);

(2) provide a compendium of considerations which need to be addressed in order to establish the perspectives for subsequent actions and the context in which the institution of an SES type program may be considered for possible future implementation;

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(3) identify points for consideration for an SES system within Central Intelligence Agency; and

(4) provide recommendations on how the Agency might proceed at this time and in the near future relative to the SES question.

C. Primary principles and conceptual features of the Senior Executive Service under the Reform Act:

(1) The essential feature of the SES is to establish basic annual compensation for top managers (GS-16 through Executive Level IV) in the Executive Branch on a merit basis that is directly related to an objective evaluation of their actual performance on the job with recognition of the different demands and difficulty of positions of the same relative grade level (e.g., one office head vis-a-vis another) and differentiation between demands and performance in positions at different levels of responsibility (e.g., office head vis-a-vis a deputy office head, etc.).

(2) The establishment at the beginning of each annual performance appraisal period of clearly defined standards of performance relative to specific assigned organizational and individual job objectives expected of each individual senior officer.

(3) The requirement to institute a formal performance appraisal system which is anchored to the organizational and individual objectives assigned to the executive and based upon the objective evaluation of the quality of performance against the standards established at the beginning of the evaluation period.

(4) The requirement for "better than average" performance as a basis for increases in basic compensation levels with "adequate" or minimally satisfactory performance no longer acceptable to warrant pro forma increases or even retention of their current level of basic compensation.

(5) Selection of senior executives for promotion to higher levels of responsibility and compensation from among only those officers who have consistently displayed excellence of performance.

(6) The establishment of added inducements in the form of substantial cash awards to attract and retain the best managers and reward and encourage excellence of performance on the job.

(7) The facilitation of removal of senior managers whose performance is not up to prescribed standards.

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D. Considerations to establish perspectives relative to the institution of SES type programs:

(1) General Perspective

(a) Conceptually at least, the basic principles and theory of the SES are sound and represent exciting and attractive opportunities for improving the effectiveness of the executive management system. The attainment of the conceptual benefits of the SES, however, will be extremely sensitive to and totally dependent upon the effective institution of the implementation program and the integrity of their applications. The consequences of implementation "mistakes" could well be irretrievable and thoroughly discredit the entire program.

(b) Without underrating the problems, the potential value of going the SES route in some ~~adaptive~~ form appear to well-justify consideration of adaptation within CIA.

(2) An SES system restricted to Central Intelligence Agency or an SES that encompasses all intelligence community organizations. The question has been raised regarding the feasibility of considering an SES system for the intelligence community at large vis a vis pursuing the SES question for application within Central Intelligence Agency only. Superficially at least, there is logic to such a consideration but the relative ramifications of these options are such as to almost preclude a single-system community approach. Some of these ramifications are as follows:

(a) Establishment of an SES system within CIA. The institution of an SES system within CIA--while involving a heavy administrative and managerial commitment of effort--could be accomplished without any additional legislation by utilizing the Director's current statutory authority contained in Section 8 of the CIA Act of 1949, as amended. This same authority would include institution of a separate SES for the Intelligence Community Staff as appropriate to their permanent cadre. The Office of General Counsel has informally affirmed the Director's authority in this regard.

(b) Establishment of an SES system to encompass the intelligence community agencies.

° A single system for the intelligence community. If a single "community" SES approach is to be considered, new legislation would have to be sponsored and passed to permit implementation. This effort would involve not just the Intelligence Oversight Committees but the several other Congressional committees providing oversight of the several departments involved. In addition, a much more complex task

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would be encountered to coordinate efforts, set up joint study groups, agree on the substance and specifications of coverage, identify and accommodate individual organizational needs and problems.

Apart from the complications cited above, other issues such as how SES ceiling allocations among community components would be legally established and mechanisms instituted to select, train, award, promote and remove executives.

All involved intelligence community organizations would participate in the study and design phases for such a system but a clear agreement would have to be reached on where the decision authority would be vested for the total system "package". The legal, administrative, political, and jurisdictional complications of evolving a community-wide system are so immense as to be almost insurmountable.

° Separate but interlocking and compatible sets of SES systems within the intelligence community.

°° As an alternative to the single intelligence community system, a less complicated approach would be for the intelligence community agencies to independently proceed to obtain statutory authority (recognizing that only CIA would not require additional legislation) to establish SES type programs. The development of their operating policies and programs, however, should interface with each agency's system to assure compatibility and uniformity.

NSA has already initiated proposed legislation to this end which if enacted would authorize NSA to institute a program.

°° Should CIA and other "exempted" intelligence community agencies elect to pursue the institution of SES programs, there are evident advantages to close coordination in the development of all facets of the operating program along compatible lines to facilitate the interchange of personnel and administration of the systems along uniform guidelines.

E. Points for consideration relative to an SES system within Central Intelligence Agency:

(1) As previously noted, the exemption of CIA from the SES provisions of the Civil Service Reform Act was not based upon disagreement with the principles and concepts of such an approach. Our exemption, however, relieves the Agency from oversight by the OPM and mandatory adherence to the specific substance and provisions of the statute itself and the regulatory issuances of the OPM as regards the formal structures

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and procedures of implementation. Inherent within the statute and the approach taken to date by OPM is to provide agencies covered by the Act a degree of latitude to develop according to individual needs of their own programs within the basic framework of the law for selection, performance appraisal, placement, merit pay promotion, and removal of executives.

(2) The minimum elements which must be bonded together to establish the framework for an operating SES program in line with the rationale of the Reform Act are as follows:

(a) Institution of an SES Performance Appraisal System.

° Under the Civil Service Reform Act a performance appraisal system must be instituted that is "task" oriented with "behavioral" characteristics evaluated only where they are tangibly related to specifically assigned tasks.

° SES designees must be advised by their supervisors at the beginning of the reporting year what their primary tasking objectives (both organizational and individual) are, which are "critical" (the less than satisfactory performance of which can mean removal from the SES) and the establishment of definitive performance standards that will be judged.

° The performance appraisal system is the heart of the SES and must be carefully developed and fully understood by all senior executives for the SES to have any chance for success as intended. The current proposed version of CIA's performance appraisal system could, with some modifications, meet the requisites for the SES.

(b) Establishment of a Performance Review Board(s) and Executive Resources Board(s).

° Performance Review Board(s) are prescribed to review executive performance appraisals to insure adherence to standards and to review recommendations for such actions as merit pay adjustments, performance awards, and promotion.

° An Executive Resources Board(s), advisory to the head of agency, is to be established to handle the processes of selection, placement, training, and recommendations for removal of Senior Executive Service members. The results of the Performance Board's review of performance appraisals would provide input to the determinations of the Executive Resources Board. CIA does not now have any mechanisms in place to serve these functions and would have to establish such Boards to meet these requirements.

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° Establishment of an equitable system to determine basic "merit" pay levels and performance awards. Directly interfacing with the establishment of performance standards expected of individual executives is the requirement that a schedule of basic annual compensation levels and relative amounts of performance awards be established to insure equity of recognition for comparable performance throughout the organization. Equally important is the requirement to clearly delineate basic compensation "spreads" to differentiate between senior positions at different levels of responsibility. The present Supergrade Factor Evaluation System under development by the Office of Personnel will provide an excellent tool for this purpose.

(c) Requirements and resources to provide staff support for the administration of an SES system. The full dimensions of personnel and other resources required to develop and implement a Senior Executive Service cannot be readily determined at this time. A general idea can be formed, however, from the facts currently available that the developmental phase will require a number of senior level officers from the Directorates and from the Office of Personnel plus a supporting cast of clerical assistants engaged for many weeks or months. In addition, the Office of Personnel would be required to provide direct support in the development of a modified performance appraisal system, performance standards, position identification and classification, pay schedules, qualifications standards for selection, removal criteria and procedures including appeals, and in conjunction with the Office of Data Processing identification of computer system applications.

The Office of Training would need to develop training seminars for all present (and future new executives) to give them a full understanding of all aspects of the SES.

The Office of Finance and the Comptroller will need to study current pay, leave and budgeting processes and procedures and revamp systems accordingly.

3. Staff Position: Though there has been some preliminary discussion with the Offices of General Counsel and Legislative Counsel and with the Resource Management Staff, this is not a coordinated position and the development of a coordinated position is an objective of the proposed course of action.

4. Recommendations:

A. That the Office of General Counsel be asked to reaffirm and provide formal legal opinions on the DCI's authorities to institute adaptive applications of the primary features of the SES related provisions of the Reform Act.

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B. That a single integrated intelligence community-wide SES not be contemplated at this time but liaison be established with other exempted intelligence community agencies to assure compatibility of any independent systems that may be contemplated.

*Don't
mention*

C. That on the basis of information available at this time and the conceptual attractiveness and managerial implications of the SES, that further study of an SES type applications within CIA and ICS be pursued.

D. That such studies be conducted by a task force under the purview of the Director of Personnel with designated representatives from each of the Directorates, the Executive Career Service and IC Staff. Results of these studies together with recommendations be presented to the CIA Executive Committee.

E. That the task force include in its studies the feasibility of including non-manager/supervisory senior executives within the CIA SES program or the establishment of a parallel but separate system for such personnel.

F. That sufficient time be provided the task force to fully explore and develop proposals on all facets of the CIA SES system to assure fully effective implementation.

*How does this relate to NAPA
recommendations Ex. Develop.*

Harry E. Fitzwater

APPROVED :

Deputy Director of Central Intelligence

Date

DISAPPROVED:

Deputy Director of Central Intelligence

Date

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SUBJECT: (Optional)

Consideration of a Senior Executive Service within CIA

FROM:

Harry E. Fitzwater
Director of Personnel
5 E 58

EXTENSION

NO.

DATE

6825

24 APR 1978

TO: (Officer designation, room number, and building)

DATE

OFFICER'S
INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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1.

Executive Officer, DD/A

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[Signature]

Please treat the attached as a draft. Editorial changes need to be made, but I would like to discuss the substance with you to see where we go from here.

2.

Associate DD/A

4/26

[Signature]

3.

Deputy Director for
Administration

5/1

[Signature]

4.

Return to *[Redacted]*

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Harry E. Fitzwater